DOCUMENT RESUME

ED 428 599 HE 031 916

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|---|---|
| AUTHOR | Hauptman, Arthur M. |
| TITLE | Strategic Responses to Financial Challenges. Strategic Decisions. Board Basics. |
| INSTITUTION | Association of Governing Boards of Universities and Colleges, Washington, DC. |
| PUB DATE | 1998-00-00 |
| NOTE | 24p.; For related documents, see HE 031 908-917. |
| AVAILABLE FROM | Association of Governing Boards of Universities and Colleges, One Dupont Circle, Suite 400, Washington, DC 20036; Tel: 800-356-6317 (Toll Free); Fax: 202-223-7053; (members: $5.95 each, 10 or more, $3.95 each; nonmembers: $9.95 each, 10 or more, $7.95 each). |
| PUB TYPE | Guides - Non-Classroom (055) |
| EDRS PRICE | EDRS Price MF01 Plus Postage. PC Not Available from EDRS. |
| DESCRIPTORS | Budgeting; Decision Making; Financial Exigency; *Financial Policy; Financial Problems; *Governing Boards; Higher Education; *Policy Formation; *Resource Allocation; Retrenchment; *Strategic Planning |

ABSTRACT

This booklet for trustees of institutions of higher education offers guidelines for strategic financial decisions required in light of the financial challenges higher education faces in the 1990s and beyond. "Strategic response" is defined as a decision that requires changing a major policy, program, or practice and involves some risk. Five strategic responses are examined, they are: (1) attracting additional revenues to help close the gap between resources and expenses; (2) reassessing tuition and financial aid policies to alter the size or mix of the student body; (3) cutting costs, improving quality, and restructuring how the institution educates students and administers its programs; (4) introducing or expanding the use of technology to educate students and improve administrative functions; and (5) increasing resource sharing by forming alliances and cooperating with other institutions. Questions to consider are also provided for each of these five options. Trustees are also urged to view governance as a strategic tool; to rethink the traditional principles of shared governance that define the balance of power among governing board, administration, and faculty; and to assess whether they have sufficient autonomy to make decisions for their campuses. (Contains 11 references.) (DB)

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ED 428 599

BOARD BASICS

STRATEGIC DECISIONS

# STRATEGIC RESPONSES TO FINANCIAL CHALLENGES

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BY ARTHUR M. HAUPTMAN

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ASSOCIATION OF GOVERNING BOARDS OF UNIVERSITIES AND COLLEGES

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He is the coauthor of *The College Aid Quandary*, which examines the federal role in helping students pay for college and how it might be improved, and author of *The Tuition Dilemma*, both published by the Brookings Institution. He also wrote *The College Tuition Spiral*. Hauptman previously served on the staff of the U.S. House Budget Committee and the U.S. Senate Labor and Human Resources Committee.

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# Strategic Responses To Financial Challenges

Higher education is beset by a host of unprecedented challenges, none more central to its purpose and mission than the present-day course that pits its stagnant financial condition against a growing demand for access to its benefits. Simply put, the combination of slower revenue growth and accelerated demand defines the essential financial challenge American higher education faces in the years ahead.

Several factors contribute to the revenue component of this challenge. In the 1980s, all major revenue sources for higher education grew substantially. In the 1990s, however, most revenue sources have grown more slowly than inflation. For example, state support of public institutions, the largest single source of higher education funding, barely grew (when adjusted for inflation) in the first half of the decade. In 1992, state funds actually fell in current dollar terms, the first decline since the Great Depression. As a result of efforts to trim the national deficit, federal support of higher education also has grown more slowly in recent years, except for research.

Tuition and other student charges, however, continue to grow at roughly twice the inflation rate, a trend that began in the 1980s. But as consumer resistance to price hikes stiffens, student charges are unlikely to increase as rapidly in the future as they did in the past. Moreover, most institutions have used such charges to provide financial aid to a growing proportion of students; consequently, tuition price hikes have not been available to offset slowed growth in other revenue sources. Not even the record-breaking growth of the stock market in the 1990s generated sufficient revenue to compensate for slowed revenue growth, although many institutional endowments have benefited.

A STRATEGIC RESPONSE IS A DECISION CONTROLLED BY INSTITUTIONAL OFFICIALS THAT (1) REQUIRES CHANGING A MAJOR POLICY, PROGRAM, OR PRACTICE AND (2) INVOLVES SOME RISK.

The other factor in this challenge—greater demand for access to higher education—is evidenced by an impending increase in the number of high school graduates, following 15 years of decline. Further, a greater share of the general population now is seeking higher education. These demographic trends translate into growing demand, particularly in the South and West, where the number of high school graduates will grow by at least 25 percent in the next decade.

College and university leaders are responding with various strategies. This publication explores five strategic responses to the financial challenges higher education faces in the 1990s and beyond. They follow:

1. Attract additional revenues to help close the gap between resources and expenses.
2. Reassess tuition and financial-aid policies to alter the size or mix of the student body.
3. Cut costs, improve quality, and restructure how the institution educates students and administers its programs.
4. Introduce or expand the use of technology to educate students and improve administrative functions.
5. Increase resource sharing by forming alliances and cooperating with other institutions.

For the purposes of this discussion, a *strategic response* is a decision controlled by institutional officials that (1) requires changing a major policy, program, or practice and (2) involves some risk. The ability of college and university officials to employ some of these responses varies depending on their institution's situation, mission, tradition, and values. For example, generating or augmenting revenue is different for a multicampus university than for a single-campus college. Similarly, restructuring teaching and learning at a comprehensive university is far different from doing so at a liberal arts college. College and university leaders must be mindful of their institution's unique circumstances when weighing the advantages and disadvantages of the five responses.

### 1. Attract additional revenues to help close the gap between resources and expenses.

Revenue enhancement typically is the first line of defense for an institution that faces a gap between resources and expenses. This approach is consistent with the theory that suggests institutions should raise all the revenues they can and then spend them in the best way possible. An obvious attraction of this response is that it is less painful and more fulfilling to raise money than to cut staff or services. Some traditional revenue-raising techniques follow:

- ***"Noncore" activities.*** Twenty years ago, use of facilities for activities outside the basic mission of the institution would have been the exception rather than the rule on most campuses. Now, however, it is rare to find a campus totally at rest during the summer months or one that does not offer a wide range of professional-development degree programs, courses, and seminars for groups of students the institution traditionally has not served.

- ***Governmental support.*** To meet their expenses, many public institutions historically have lobbied more aggressively to increase the level of state appropriations. Institutional leaders in both sectors seek more federal funds for research and financial aid. The decision to do so raises the issue of whether the additional funds one institution receives come at the expense of another. In a zero-sum situation, in which overall funding for higher education is relatively fixed, such a scenario underscores the importance of increasing overall funding, rather than competing for the same slices of a fixed-size pie.

• ***Fund-raising.*** Fund-raising revenues allow many private institutions to remain independent of state control. Without this funding, some private institutions would have to merge, close, become public institutions, or charge much higher tuition—an option most private colleges could not survive.

Additionally, fund-raising is increasingly important in public higher education as public institution officials rely more on private funds to replace shortfalls in state funding, reduce the need to raise tuition, and close the gap between expenses and resources. Most notable is the rapid growth of foundations at most public colleges and universities. These foundations usually are separate entities; as such, they are the public sector's rough equivalent of the private institution's development office. In most cases, foundations provide additional revenue, rather than replace state appropriations.

• ***Grants and contracts.*** These revenue sources from state and federal government agencies (and private sources) are particularly attractive in times of financial stress because they are distributed at different times than funds received from tuition income, state appropriations for general operating support, and other major sources. Research universities use grants and contracts to support sponsored research, but other types of institutions also depend in lesser degrees on these revenues.

• ***Entrepreneurial activities.*** Traditionally, most colleges and universities have been reluctant to engage in business activities that fall outside teaching, research, and service. But growing financial pressures have led many colleges and universities to pursue "profit-making" ventures. As they do so, leaders should be alert to a number of troubling issues, including taxation of unrelated business income, "town-gown" relations, and ethical concerns relating to patents, copyrights, conflicts of interest, and profit sharing.

But the most dramatic example of entrepreneurial activity is the commercialization of campus research, some of which has the potential to create substantial revenue. This activity raises a number of thorny issues, including potential conflicts of interest, protection of intellectual property rights, and an appropriate division of financial benefits among the government, the institution, and the researcher.

### Questions to Consider

It might seem obvious to question whether a college or university should engage in revenue-generating activities. But moving ahead without thorough investigation can cause an institution to become entangled in inappropriate activities—often at the expense of its core functions.

- Is a specific revenue-raising activity consistent with the institution's mission and values?
- Are the costs of an activity—expenses, staff time, and institutional commitment and risk—worth the benefits of the additional revenues it might generate?
- Should the resulting revenue be earmarked for special purposes or be unrestricted in use?
- What, if any, troublesome public-relations or perception issues might result from various revenue-enhancement efforts?

## 2. Reassess tuition and financial-aid policies to alter the size or mix of the student body.

One of the most fundamental financial issues private colleges and universities face is whether they are approaching or have exceeded the limits of the "high tuition/high aid" strategy that served them so well in the 1980s. This strategy first took hold in the late 1970s and early 1980s after a period of several years when tuition increases lagged behind inflation. A small group of elite private institutions shifted strategies and raised tuition at rates that outpaced inflation. The intent was to generate additional revenues, which would allow the institutions to enhance facilities, gain ground on deferred maintenance, and recruit and retain faculty and staff—tasks postponed in the 1970s because of a lack of funds. A key related strategy was to increase the student-aid budget substantially to maintain—even improve—enrollment diversity.

The strategy was attractive, in part, because senior administrators and trustees believed most private colleges were underpriced relative to the value of the degrees they granted. The strategy also entailed a shift in financial-aid philosophy: Instead of relying primarily on gifts and endowment income to provide student aid, these institutions began to rely increasingly on tuition dollars.

The positive results of this "experiment" (which yielded an increased resource base and a more diverse student body) encouraged the initiating institutions and prompted others to pursue the strategy. By the mid-1980s, most private colleges and universities had adopted the practice to some degree.

High tuition/high aid was one of the most successful strategic responses employed by independent higher education in recent memory. As a result, the financing of private institutions today is far different than it was at the beginning of the 1980s. For example, tuition charges are much higher in real terms. In 1997, average private college tuition and fees exceeded $15,000, with room and board and other charges pushing the total to roughly $20,000. These figures represent more than a 50 percent increase in real terms since 1980, when tuition averaged $3,500, and total charges approached $5,000.

In addition, financial aid from all sources has become a more prominent part of private college budgets and financing strategies. Today, most private colleges provide aid to a much higher proportion of their students than they did in the early 1980s. It now is common at private campuses for more than one-half the students to receive aid, which indicates a degree of dependence on financial aid unheard of before high tuition/high aid efforts began in earnest.

These three trends—increases in tuition and fees, increases in student-aid budgets, and increases in the proportion of students receiving aid—help explain the limits of the high tuition/high aid strategy for the future. If a college raises tuition to the point that its price no longer reflects its value, it will have difficulty attracting sufficient numbers of qualified students to fill its seats—and an institution with empty seats will find its economic viability questioned. Similarly, as the proportion of students on aid increases, the proportion of tuition dollars retained for other purposes falls. This reality pressures college officials to abandon need-based aid and need-blind admission policies to retain a large enough portion of tuition increases.

These twin pressures—maintaining enrollment levels and retaining enough tuition revenue for purposes other than to supply aid—serve as effective limits on the high tuition/high aid strategy. The problem is that these trends do not move in the same direction. The most direct ways to maintain enrollments either are to keep prices low or to offer enough aid to offset higher tuition. Both approaches, however, reduce the resources available for purposes other than financial aid.

Moreover, the more an institution relies on the high tuition/high aid strategy, the worse this dilemma may become. The aid budget must grow to keep up with increases in tuition and other charges. This is the dark side of the high tuition/high aid equation. As tuition increases, institutions increasingly become dependent on student aid to retain their middle-class students who, without the aid, would be unable to afford the rising prices. Even with additional aid, however, the high sticker prices of private institutions may prompt many middle-class students to choose public colleges or universities.

ONE OF THE MOST FUNDAMENTAL FINANCIAL ISSUES PRIVATE COLLEGES AND UNIVERSITIES FACE IS WHETHER THEY ARE APPROACHING OR HAVE EXCEEDED THE LIMITS OF THE "HIGH TUITION/HIGH AID" STRATEGY.

Ironically, as private colleges question the viability of the high tuition/high aid strategy, a growing number of states and public institutions are asking if the strategy makes sense for them, especially as a means of dealing with shortfalls in state funding for higher education. Many public institution leaders find themselves in a position similar to that of private colleges in the early 1980s: Their tuition charges are far lower than most of their students are willing to pay.

Despite seemingly similar financial situations, the differences between public and private institutions raise questions about the applicability of the high tuition/high aid strategy in the public sector. Consider three examples: (1) Public institutions typically do not have the same degree of control in setting tuition as do private institutions. The public institutions that do have a role in setting tuition must do so in consultation with others—primarily state boards, legislatures, and governors. (2) Many public institutions do not control most of the financial aid their students receive; rather, the state allocates those funds. This distinction is critical: The high tuition/high aid strategy depends on an institution's ability to coordinate its tuition and financial-aid policies. (3) Public institutions have less control over their enrollment levels than private schools. Insofar as tuition and aid policies affect enrollment management, the high tuition/high aid strategy may fail in the public sector.

### Questions to Consider

- How dependent is the institution on tuition and room and board as a revenue source, net of the financial aid it provides to students? How has this figure changed over time?

- How strong is the institution financially? How does this position affect tuition and aid policies?

- Should the size of the institution increase, decrease, or stay about the same?

- Is it possible to increase tuition, improve diversity, and prevent the exodus of middle-class students, yet still have adequate funds (after meeting student-aid requirements) to pay for program and facility improvements and increases in faculty and staff compensation?

### 3. Cut costs, improve quality, and restructure how the institution educates students and administers its programs.

Most institutions faced with a gap between resources and expectations would opt to enhance revenue; however, this strategy of first resort should not be an institution's only strategic response. Eventually, it must consider better managing its costs. Strategies aimed at conserving or reallocating available resources fall into three categories: increasing productivity,

improving quality, and restructuring the institution. Conversations about these three strategies have dominated the higher education debate for much of the 1990s, stimulated in part by the apparent success of many American corporations to change their operations and business philosophies in response to such market factors as global competition and consumer resistance to rising prices. The techniques that proved so successful in the business world may foster similar success in higher education.

• ***Productivity enhancement and cost cutting.*** Higher education systems worldwide are labor intense. In the United States, at least 75 cents of every higher education dollar are used to compensate faculty and staff. When resources become scarce, personnel costs are the natural first target.

Frequently, such efforts are cast in terms of increasing productivity. For faculty, this means either that the same number of faculty teach more students or more classes, or fewer faculty teach the same number or more students. On the administrative side, the search for greater productivity usually translates into staff cutbacks, higher work loads, outsourcing, and automation. These efforts typically elicit resistance.

Most productivity improvements and cost-cutting efforts have been targeted at administrative functions, partly because in the 1980s the number of administrative staff increased faster than the number of academic personnel. It would be hard to find a public or private institution that has not changed its administrative personnel and practices substantially during this decade.

On the academic side, however, relatively few institutions have reduced the number of full-time faculty—especially tenured faculty—except by attrition. Nor have most institutions changed the terms and conditions of faculty employment by requiring them to spend substantially more hours teaching or helping students outside of the classroom. Most changes in academic personnel matters have concerned nontenured, part-time faculty, or adjunct faculty.

• ***Quality improvement techniques.*** One of the most remarkable recent developments in corporate America has been the adoption of diverse operational processes generally known as total quality management (TQM). Many American colleges and universities have followed the lead of the business community. As with productivity improvement and cost cutting, higher education's quality-improvement efforts have focused mostly on administrative operations. Few institutions have instituted quality-improvement procedures in their academic departments, although many are exploring these options as part of their strategic planning.

• ***Restructuring.*** This is one of the hottest topics in higher education, but evidence of "real" restructuring is scant. Most restructuring initiatives really are downsizing or improved quality control, but those more modest strategies may be a more reasonable response to the challenges most institutions face—shortfalls in traditional funding sources, the need for greater administrative efficiencies, the need to reposition relative to the competition, or imbalances in faculty or student commitments to teaching, research, and service.

REAL RESTRUCTURING INITIATIVES EXCEED THE CHANGES MOST COLLEGES AND UNIVERSITIES HAVE MADE. RATHER, BONA FIDE RESTRUCTURING REQUIRES ALTERING AN INSTITUTION'S TENETS OR MISSION.

Real restructuring initiatives exceed the changes most colleges and universities recently have made. Rather, bona fide restructuring requires altering an institution's tenets or mission. Eliminating tenure in favor of renewable contracts or doing away with discipline-based departments in favor of multidisciplinary arrangements qualify as real restructuring, as would a science-based institution switching to a liberal arts focus or a residential college becoming a commuter school. Few institutions have taken such dramatic steps.

Inevitably, restructuring means different things to different types of institutions. Most *research universities*, for example, are sufficiently ensconced and adept in serving a niche; their leaders need not rethink mission when considering restructuring, as other institutions perhaps should do. Instead, they must examine other fundamental underpinnings: the organization of their academic functions, the way they conduct research, and changes in their governance structure that would enable them to respond more quickly to changing conditions.

Leaders of *comprehensive universities*, however, are challenged to reexamine the relevancy of the institution's mission. Because these institutions are more flexible than their research counterparts, they may be better prepared to make necessary changes in mission and direction. While demographic forces pressure all of higher education, they affect comprehensive universities most acutely. Consequently, for many, restructuring may entail massive additions of technology to accommodate growing demand, especially in the South and West, where the number of potential students is growing fastest.

*Liberal arts colleges* must continue to assess whether the idea of a small college with a largely nonvocational emphasis can survive in a world where the focus increasingly is on jobs and where economies of scale can outweigh the benefits of small classes and personalized attention. Some restructuring has occurred in this sector already; many liberal arts colleges have become comprehensive institutions or have changed their curricula fundamentally by becoming more specialized. Others, however, have chosen to retain a traditional curriculum, believing that a market niche continues to exist for them and betting that less selective competitors will turn in other directions.

*Community colleges* face restructuring challenges because of the many functions they perform related to their role as the primary avenue of access to American higher education. Raising standards and abolishing open admissions would serve as restructuring, as would dramatically changing the mix of programs, perhaps leading to the elimination of the associate's degree in favor of certificate programs. Such examples are unlikely to occur, however, which may help to explain why there has been less talk of restructuring in community colleges than in other sectors.

### Questions to Consider

- Does the institution need a fundamental overhaul, or is it doing reasonably well and need only to make some adjustments?
- Are there ways to improve the productivity of administrative and academic functions without detracting from quality?
- How can institutional leaders ensure adequate quality in teaching, research, and service to students and the community? What are the costs and benefits of implementing quality-control systems?

### 4. Introduce or expand the use of technology to educate students and improve administrative functions.

Increasingly, higher education officials are focusing on technology and distance learning as the strategy with the greatest potential for closing the gap between resources and expectations—and for good reasons. Dramatic advances in technology have enhanced both its possible uses and expanded the possibilities for distance learning. The Internet and the Web, the vast improvement in interactive technologies, and the ready availability of computers at work and at home have enticed campus planners. Technology also promises to help institutions meet growing demands without building expensive new facilities for teaching and housing students.

Cost is critical to the future use of information technology in higher education. Surprisingly little serious and substantive analysis has been conducted to evaluate the cost-effectiveness of various technology-intensive applications. The cost-effectiveness of technology more often is asserted rather than proved. Nonetheless, some observers suggest institutions should adopt new technologies regardless of cost to ensure higher education remains at the fore of technology uses and applications.

Will new information technologies transform higher education, considering that previous "revolutionary" breakthroughs, such as television and videotape, did not? Although new information technologies certainly are far more sophisticated and seem to hold great promise, college and university leaders are right to be wary.

Information technology and distance learning offer different types of institutions various strategic responses. A sampling follows: *Research universities* will need to consider how new methods of storing information will alter research libraries. *Comprehensive universities* that serve remote, rural populations will need to examine distance learning. *Liberal arts colleges*, because of their small, mostly residential student body, must find sufficient resources to "wire" their campuses and ensure that each student either owns or has access to a computer. *Community colleges* must focus on adopting technologies that allow them to train large numbers of underserved students.

### Questions to Consider

- Which of the new or emerging technologies are most consistent with institutional mission? Should technology be used to change institutional focus and mission?
- How will technology enhance teaching and learning?
- What are the cost consequences, present and future, of adopting various technologies?
- What advancements are likely in the next five to ten years? Will current strategies accommodate or impede subsequent new technologies?

### 5. Optimize resource sharing by forming alliances and cooperating with other institutions.

In good times and bad, most college and university officials are inclined to make their institution "the best" by competing for students, faculty, resources, and prestige. But it is increasingly evident that collaboration may be a better strategy, especially given the resource constraints most institutions face.

Competition is one of the distinguishing features of American higher education. The urge and the ability to compete and succeed have contributed greatly to its deserved reputation as best in the world. Most U.S. institutions use their revenues to enroll the best students and attract the most prestigious faculty they can while building and maintaining the best academic, housing, and recreational facilities their budgets allow.

In some cases, however, excessive competition has led to inappropriate and inefficient use of resources. For example, when an institution with plenty of qualified applicants tries to improve the composition of its student body by seeking even more applicants through aggressive and expensive marketing campaigns, it often gains little at great cost. Or when an institution offers lucrative contracts and reduced teaching loads to lure elite faculty from other campuses, the result can be lower morale among existing faculty and depleted ranks at the recruited faculty members' previous institutions.

A more subtle form of excess competition occurs when an institution seeks to become all things to all people. An institution may offer programs and degrees in too many disciplines, or it may subscribe to an inordinate number of academic journals. Such examples indicate an underlying problem: Some institutions aspire to a single model of excellence—the research university—rather than to success in a more appropriate niche.

The decision of an institution to compete in various ways is a strategic response to a specific set of conditions, rather than to some external force over which it has no control. Consequently, institutions should consider alternatives.

*Collaboration*—cooperating rather than trying to do everything alone and better than other institutions—is one such alternative. Whereas competition typically entails a heavier outlay of resources, collaboration usually allows institutions to conserve resources, to be more selective in what they do, and to take advantage of the strengths of other institutions. Collaboration can be an effective strategy, particularly when resources are relatively scarce.

Dozens of regional and local consortia of institutions throughout the country collaborate to some degree. Library exchanges, joint academic programs and administrative procedures, cross-registration, and shared tuition are but a few examples of collaboration. Tuition remission among certain groups of institutions and tuition reciprocity among neighboring states are other long-standing examples.

THE DECISION OF AN INSTITUTION TO COMPETE IN VARIOUS WAYS IS A STRATEGIC RESPONSE TO A SPECIFIC SET OF CONDITIONS, RATHER THAN TO SOME EXTERNAL FORCE OVER WHICH IT HAS NO CONTROL.

In recent years, an increasing number of institutions have recognized the necessity of cooperation to stretch scarce resources. Some institutions have formed alliances to take advantage of a wide range of emerging technologies in classrooms, libraries, and administrative offices. Others are pooling efforts with nearby institutions rather than competing for a dwindling number of the same group of students.

*Mergers* represent the ultimate collaboration in higher education. When a merger results in a synergy among compatible institutions, it can be extremely beneficial in reducing costs, broadening services, and expanding or improving academic programs. But mergers that arise out of extreme financial difficulties at one or more institutions are unlikely to be as beneficial.

Collaboration is not necessarily limited to cooperation among academic institutions. Colleges and universities also can benefit by joining forces with other organizations, including K-12 schools, local businesses, and nonprofit groups.

Some caveats about collaboration: In the late 1980s, the U.S. Justice Department conducted an antitrust investigation into the interinstitutional exchange of information on prospective increases in tuition and faculty salaries, as well as the financial-aid status of certain applicants. The critical difference between this investigation and collaboration is that cooperation on the use of resources probably would be viewed as far more benign than the exchange of information on pricing, salaries, or financial aid.

Also, voluntary cooperation has not always been successful, especially among public institutions. Although coordination by state boards of higher education often results in better resource use, some state board interventions have been excessively bureaucratic and have prevented institutions from implementing useful innovations. As with competitive efforts, state and institutional officials should seek beneficial forms of cooperation and eschew stifling regulatory initiatives.

### Questions to Consider

- Has the institution formed partnerships aimed specifically at containing costs or sharing resources? Would it benefit from doing so?
- Are there ways collaborative efforts can enhance, and not detract from, the institution's ability to compete?

## Viewing Governance as a Strategic Tool

Each of the foregoing strategic responses must be evaluated in the context of an institution's governance structure. Officers and trustees should consider two crucial issues pertaining to governance.

- ***Institutions must rethink the traditional principles of shared governance that define the balance of power among governing boards, administration, and faculty.***

Most American colleges and universities are diverse organizations that prize the traditional academic process of discourse and deliberation. In most institutions, this preference affects administrative decision making. Yet strategic issues often place great emphasis on timeliness and direction. Consequently, as financial pressures have mounted, some institutions have accelerated their internal decision-making processes to respond more quickly to issues of strategic significance. Conflict between the customs of academic discourse and the circumstance of growing financial urgency has led many institutional leaders to conclude that the traditional arrangement of shared governance among trustees, faculty, and administration is inadequate.

This tension can surface in many ways. The faculty senate may be questioned about its ability to represent the entire faculty and challenged about its capacity to make difficult decisions regarding curricula and other academic matters. Faculty and student leaders may question the board's and president's willingness to contemplate proposed changes they deem important. Trustees may wonder whether anybody is listening to their concerns. And students generally are convinced nobody listens to theirs.

Some institutions are attempting to change the existing balance of power by granting the president greater latitude to make certain decisions or by giving trustees or faculty more responsibility for certain functions or levels of policy. Others have turned to such nontraditional mechanisms as strategic-planning councils and university forums that engage faculty, key administrators, and sometimes staff and students in campus decision making. These councils either sidestep or coexist with extant decision-making processes. In either instance, they can play a crucial role in establishing institutional priorities and funding patterns. Unfortunately, they also can slow down the decision-making process.

• ***Leaders of public institutions in particular must assess whether they have sufficient autonomy to make decisions for their campuses.***

Public institutional leaders must resolve which of two opposite strategies makes sense for their institutions: (1) decentralizing decision-making processes, thus granting more authority to individual institutions in a system or state, or (2) centralizing decision-making processes to help ensure all institutions are pulling in the same direction.

During the past decade, public higher education increasingly has relied on greater coordination and consolidation of decision-making authority at higher levels of system governance. This trend began primarily because of concerns that individual campuses were not carrying out the priorities of the governor, legislature, or system governing board. More recently, however, there is some evidence that the pendulum may be swinging back toward granting campuses even greater authority, thus allowing for more flexibility and experimentation.

A perennial topic of discussion that has become a critical issue in many states is the ability of public institutions to manage their internal affairs and to retain or regain greater flexibility and autonomy. Campus officials say they require the flexibility private institutions possess to adapt to changing markets and new demands. They also contend that excessive

DURING THE PAST DECADE, PUBLIC HIGHER EDUCATION INCREASINGLY HAS RELIED ON GREATER COORDINATION AND CONSOLIDATION OF DECISION-MAKING AUTHORITY AT HIGHER LEVELS OF SYSTEM GOVERNANCE.

state controls over administrative areas (purchasing, carry-over budgets, transferability between budget lines, and management of capital projects to name a few) preclude or inhibit this necessary flexibility. In a handful of states, efforts exist to loosen these restrictions. A number of other state officials are considering the merits of following suit.

There is growing recognition that regardless of the state structure that oversees public institutions—one state board over a consolidated university system, a single-campus board for each institution, or a mixed structure of systems and single boards—decisions should be made as close as possible to where the impact will be felt—on individual campuses. To this end, some states (Illinois and New Jersey among them) have reorganized their governance structures to grant greater autonomy to individual campuses. In New York, the central system is working to differentiate the missions and policies of its 64 campuses. Still another model emerges in the proliferation of local governing boards intended to complement a system board.

All of these efforts spring from the hope that campus administrators and local boards will be better equipped to guide their institutions into the next century if they participate in decision making rather than if a central system dictates all policies. Institutional autonomy need not be equated with the presence or absence of one's "own board." Rather, it lies in the ability of institutions to respond to new challenges and opportunities, to make final decisions and be accountable for them, to take risks and make mistakes, to learn, and to move on.

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- Academic trusteeship grows increasingly ambiguous, and trustees need concise, accessible, and focused information to help them carry out their complex fiduciary and stewardship responsibilities.
- Basic principles of trusteeship remain constant across higher education, regardless of institutional type, size, and mission. The series highlights these general principles to provide trustees with a core of knowledge they can apply to their individual institutions.
- The series addresses the distinguishing characteristics of academic trusteeship, especially as it differs in scope, substance, and focus from corporate directorships and other board service.

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